



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 245** SLS 09RS 604
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 28, 2009	8:13 AM	Author: ADLEY
Dept./Agy.: Economic Development		
Subject: Film Production Tax Credit		Analyst: Greg Albrecht

TAX/TAXATION EG -\$20,000,000 GF RV See Note Page 1 of 2

Increases the transferable motion picture investor tax credit for movie productions certified on and after July 1, 2009 to 30%. (7/1/09)

Current law provides transferable tax credits of 25% of eligible in-state spending by film production companies (referred to as investor credits). An additional 10% is allowed for resident payroll expenses. The investor credit is 25% for certified productions approved before July 1, 2010; then 20% for productions approved between July 1, 2010 and before July 1, 2012; then 15% for productions approved after July 1, 2012.

Proposed law increases the current 25% investor credit to 30% for productions approved on or after July 1, 2009, and eliminates the phase-down provisions. Requires program participants to submit a statement agreeing to pay all obligations incurred in the state.

Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	(\$20,000,000)	(\$30,000,000)	(\$40,000,000)	(\$50,000,000)	(\$60,000,000)	(\$200,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$20,000,000)	(\$30,000,000)	(\$40,000,000)	(\$50,000,000)	(\$60,000,000)	(\$200,000,000)

EXPENDITURE EXPLANATION

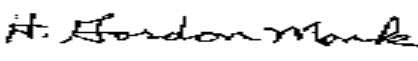
There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

For the past two fiscal years (FY07 & FY08) investor credits realized against state tax liabilities averaged \$100.8 million per year, reflecting the current 25% credit rate. Under this bill, beginning FY10, that credit rate would increase to 30%, and state tax revenue losses could increase by some \$20 million per year on this basis alone. Another aspect of the bill is to eliminate phase-down of the current credit rate. The smaller loss of state tax collections associated with that scheduled phase-down is already anticipated in the official revenue forecasts. Thus, this bill reverses that and results in additional revenue losses (see discussion below) of \$10 million in FY11, then \$20 million in FY12, then \$30 million in FY13, and \$40 million in FY14 and each year beyond. Total possible revenue losses resulting from this bill are depicted in the table above.

Under current law, productions approved after July 1, 2010 would generate credits at a 20% credit rate. Assuming a \$100 million per year credit baseline, at the earliest, FY11 is when current law is expected to reduce program tax credit costs. At most credits would be \$20 million less in FY11 and a like amount in FY12. After that, from FY13 and subsequent years credit costs would be reduced again by another \$20 million (\$40 million total annual drop from the current credit baseline). However, it is likely that a large number of projects will apply for approval at the higher current credit rates as the dates for phasing down the credit approach (observed as the date approached for changing from total spending to in-state spending as the basis of generating credits in an earlier revision of the program). In addition, it appears to take roughly two years on average for issuance of a credit to realization of the credit against tax liabilities. Thus, it seems likely that the current law scheduled credit phase-down will reduce credit realizations by no more than \$10 million in FY11, then \$20 million in FY12, then \$30 million in FY13, and \$40 million in FY14 and each year beyond. Consequently, these are the amounts this bill will add back to annual program credit realizations.

Continued on page 2

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	H. Gordon Monk Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

Page 2 of 2

Note: The fiscal note essentially assumes that the current baseline of production activity, credit issuance, and credit realizations will continue even as the current law scheduled credit phase-down occurs. In light of the mobile nature of production activity and the competitive subsidies offered in other states, it is reasonable to question whether that level of baseline activity will continue. If it does not, there would be a smaller amount of credit reduction to occur under current law and a smaller amount of credit increase for this bill to add back. However, it is also reasonable to consider that Louisiana has developed considerable expertise, skill sets, and infrastructure geared to supporting the film production industry, even with a lower credit subsidy offered. These factors may be advantageous enough to maintain much of the existing baseline activity level, and works to support the fiscal note estimates above.

Senate

Dual Referral Rules

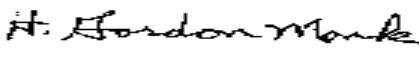
House

☐ 13.5.1 >= \$500,000 Annual Fiscal Cost

☐ 6.8(F) >= \$500,000 Annual Fiscal Cost

☒ 13.5.2 >= \$500,000 Annual Tax or Fee Change

☐ 6.8(G) >= \$500,000 Tax or Fee Increase
or a Net Fee Decrease


H. Gordon Monk
Legislative Fiscal Officer